



To: City Auditors, Town and Special Purpose District Accountants
From: Anthony A. Rassias, Deputy Director of Accounts
Date: July, 2015

This letter sets forth the requirements for certification of General Fund free cash, certification of enterprise fund retained earnings, submission of Schedule A, submission of the Snow and Ice report and certain other related matters.

M.G.L. Chapter 59, § 23 clearly contemplates only one certification, based on the balance sheet submitted by the city auditor, town or district accountant, or supported by audited financial statements if required by the Director. Requests for a revision, apart from a free cash update, are unlikely to be approved. Appropriation is allowed after Bureau certification; appropriation prior to certification will be considered defective, requiring additional local action.

For jurisdictions required to submit audited financial statements prior to free cash certification, the Director may decide not to certify an amount if the independent auditor's opinion is adverse or if the opinion is disclaimed.

New this year

- ERIP – The State's Early Retirement Incentive Program

At the close of business on June 30, the Bureau of Accounts lost the permanent services of 7 colleagues, both supervisors and staff, who together had over 200 years of service to the Bureau, the Commonwealth's cities, towns and districts and to the Commonwealth's taxpayers. Their jobs were well done and the Bureau wishes them all the best in their retirement.

As you can imagine, this loss of personnel will undoubtedly impact Bureau operations for the near future. Nonetheless, the Bureau intends to:

- maintain its certification standards for free cash and tax rates;
- maintain its approval standards for Schedule A;
- complete its work as efficiently as possible; and
- maintain its field representative model.

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We will make every effort to complete our balance sheet review and to certify free cash and retained earnings for those cities, towns and districts in need of certification for an impending city/town council or town meeting. Depending upon workload, balance sheets for communities where certification is not immediately necessary will be reviewed as soon as possible. Please be certain that your balance sheet presentation will allow us to perform our calculation with a minimum of additional questions. Otherwise we must set the submission aside for review at a later date.

- **Grant Reimbursements**

Expenditures made in anticipation of State grant reimbursements that were subsequently reduced or eliminated in FY2015, which caused a deficit in the grant account as of June 30, 2015, and for which reimbursement is no longer anticipated must be provided for or else included on page 2 of the FY2016 Tax Rate Recap as an "Other Amount to be Raised."

- **Distribution of Winter Recovery Assistance (Pothole Money)**

DLS Bulletin [2015-06B](#) addresses the accounting and reporting treatment for expenditure and subsequent receipts under the WRAP program. Please be reminded that work must have been completed by June 30, 2015 and that requests for reimbursement must be submitted to the Highway Division of MassDOT by July 31, 2015 in order to be reimbursed.

- **Snow and Ice Deficits**

DLS Bulletin [2015-07B](#) details the process cities and towns in certain Massachusetts counties may use to amortize their FY2015 snow and ice account deficit. Please review this Bulletin and complete the [Snow and Ice Amortization Schedule](#) if applicable.

- Only balance sheets that have been closed as of 6/30/2015 will be accepted for certification of free cash.
- Communities with PEG access accounts having not been properly adopted must do so under the provisions of G.L. c. 44, § 53F¾ prior to June 30, 2016 or the Bureau will close these funds to the General Fund unreserved fund balance.

The balance of information in this letter is updated and are reminders from last year's letter

Balance Sheet - Form Submission Requirements

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Submit hard-copy documentation not already entered or uploaded into Gateway.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will expect fund balance definitions to appear as in the past.

The following required forms are down-loadable from the DLS website when linked and are up-loadable or data entered into Gateway under Misc Forms.

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances (may include a system generated balance sheet);
- Detailed analysis of undesignated fund balance/surplus revenue;
- [FY2015 Balance Sheet Checklist](#);
- [Cash Reconciliation Form](#);
- [Treasurer's Year End Cash Report](#) as of June 30;
- [Schedule of Outstanding Receivables](#) as of June 30;
- [Statement of Indebtedness](#) as of June 30;
- [Snow and Ice Annual Report](#) as of June 30;
- [Snow and Ice Amortization Schedule](#), if applicable;
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

Balance Sheet Presentation

- For June 30, 2015 balance sheet purposes, debt proceeds reserved in the Enterprise Fund must be transferred to a Capital Projects Fund.
- Transfer of Enterprise Fund receipts to the General Fund for indirect costs cannot exceed for each enterprise the amount reported on Enterprise Funds Schedule A-2, part IIB approved for tax rate certification.
- If committed before July 1, the FY2016 property tax commitment is not recorded until July 1. Cash received before July 1 toward that commitment is recorded as FY2016 deferred revenue.
- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2015 deficit in this fund is a reduction to free cash and must be provided for on the FY2016 tax rate.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than DESE's FY2015 reimbursement, not including extraordinary assistance or funds obligated by the school committee for FY2016 purposes. Any excess fund balance must close to the General Fund on June 30.

- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#)
- Inter-fund borrowing advances must be repaid no later than June 30. [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.
- Community Preservation Fund balances reported on the June 30 balance sheet must match balances reported on form [CP-2](#) due on October 31.
- Appropriations from Community Preservation Fund (CPF) FY2016 estimated revenues prior to July 1, are neither recorded nor expendable until July 1.
- Any Enterprise Fund related capital project deficit recorded in the Capital Projects Fund will reduce free cash or retained earnings depending upon the fund intended to finance the capital project.
- Free cash will be reduced by the amount of any federal school grant reported in deficit since June 30, 2013. The Bureau will not require at this time that the deficit be provided for on the FY2016 Tax Rate Recap. However, accounting officials should be aware of why such a deficit recurs.
- The Bureau has advised local accounting officials for some time that reservation of funds within an Enterprise Fund apart from retained earnings may only occur consistent with the provisions of the Enterprise Fund Manual, [IGR 08-101](#). We have also recommended courses of action for continued reservation of such funds. For June 30, 2015 retained earnings certification purposes, improper reservations will be closed to retained earnings. Capital projects should also not be reported in the Enterprise Fund, but should be reported in the Capital Projects Fund.

Potential Increases to Free Cash

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2015 state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2015 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2015 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30 and

(b) the Bureau must be satisfied that payment will be made.

Potential Decreases to Free Cash

The following reasons will contribute to a free cash reduction unless otherwise noted. The Director may reduce the calculated amount of free cash if, in his opinion, the calculated amount cannot be substantiated by supporting documentation.

- A variance between balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not provided for on the tax rate (if tax rate certification preceded free cash certification);
- An individual Capital Projects Fund fund balance deficit unless funds were borrowed by June 30;
- A self-insurance health claims trust fund balance deficit (note: must be provided for on next tax rate);
- A non-school federal or state grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30; [Bulletin 2015-07B](#) indicated that free cash would not be reduced for a FEMA deficit during FEMA's reimbursement period if properly recorded;
- A Chapter 90 fund balance deficit unless:
 - (a) funds were borrowed by June 30;
 - (b) reimbursement was received by September 30; or
 - (c) reimbursement was filed with MassDOT by September 30 and the Bureau must be satisfied that payment will be made.

Certification Notice

Certification letters will be e-mailed to the mayor/manager, board of selectmen, finance director, accounting officer and treasurer immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory. Officials are advised to check their e-mail

address in the Directory and notify the person responsible to maintain the Directory in their jurisdiction if it is incorrect.

Free Cash Certification Update

One free cash certification update is allowed per fiscal year. Certification may be updated by receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31. At minimum, a listing of taxes collected by fiscal year must be

provided to the Bureau for update purposes. This certified update provides additional appropriation authority.

An update will not be certified if use of such funds could, in the Director's opinion, result in a negative free cash as of the following June 30. No similar update may be requested for the following fiscal year if an update is certified and such a negative free cash results.

The Bureau will continue to allow non-recurrent distributions received in the current fiscal year to be included in a free cash certification update subject to the conditions noted above.

Treasurer's Year End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2015 must be completed and returned to the Bureau by September 30, 2015 or upon submission of a balance sheet for FY2016 free cash certification, whichever is earlier.

The Treasurer's and Accountant's records should be reconciled monthly during the year. This Report is submitted using the Gateway system and is found under Miscellaneous Forms, Treasurer's Year-End Cash Report. For the Accountant, check-off only where indicated or complete Part III of the Report if there is a variance. Do not check-off on behalf of the Treasurer. If you have any problems with Report submission, please contact Gerry Cole at 617-626-4110 or by E-mail to coleg@dor.state.ma.us.

Snow and Ice

The [Snow and Ice Report](#) must be filed with the Bureau by September 15.

DLS Website and Gateway

All IGRs and Bulletins referred to in this letter can be found on the DLS website at www.mass.gov/dls. Many forms referred to are found in Gateway or may be downloaded from the DLS website, completed and uploaded into Gateway. If you have any questions with regard to any item in this letter, please do not hesitate to contact the Bureau of Accounts.

Schedule A Form and Notice

General Laws provide for the withholding of local aid payments to cities and towns that do not submit a Schedule A to the Bureau timely.

The FY2015 Schedule A will be due November 30.

The FY2015 Schedule A in Gateway is currently available. The Excel version of Schedule A will be available in early August. Please note any particular instructions in the annual Schedule A Guidelines and Reference Manual.

Schedule A approval letters will be e-mailed to addresses reported in the DLS Local Officials Directory as budgeting, accountant/auditor, comptroller and finance director. These officials are advised to check their e-mail account in this Directory and notify the person responsible to maintain the Directory in their jurisdiction if it is incorrect.